

August 2007 Edition

Topic: Voluntary Benefits

A lot of companies seem to struggle with voluntary benefits. The administration may be cumbersome. Managing eligibility and deductions often feels like a hassle. Above all, the participation levels are not great, so is it even worth it? I think it is, and in fact, I think voluntary benefits have the potential to turn a good benefit package into a great benefit package.

Why should voluntary benefits be part of our benefit plan? Let's start with the obvious, which is that employers simply cannot afford to pay for everything! As benefit costs continue to increase, viability often depends on both employers and employees contributing to cost. Philosophically, an employee contributing is not a bad thing. It reduces an entitlement mentality, engages employees in their personal risk management, and in general makes employees aware of benefit costs. Plus, an employee with adequate insurance protection when life throws a curve ball will be absent less and more productive.

What voluntary benefits should our company offer? First of all, don't think of your voluntary benefits separate from your core benefits. Think of your entire benefit package in the context of providing an adequate net of protection for your employees. Health insurance should always be a first priority, closely followed by disability or paycheck protection. Life insurance often comes next for those employees with families. Beyond that, look to fill in the holes where you may have gaps in coverage such as using accident coverage to offset deductible expenses or critical illness insurance to offset high out-of-pocket costs associated with major illnesses. Value added benefits should only come after the major risks have been covered. Focusing on a net of protection, it will become less a question of what benefits to offer and more a question of where the employer funding will end and employee contributions need to begin.

How do I select a voluntary benefit provider? This is where you need to be thinking about ease of administration. Make sure you work with someone with experience in this arena. Don't assume that just because your broker sells health insurance and group disability, that they can effectively implement a voluntary offering. Look for someone with access to multiple carriers, so they can match the right carrier with the right situation. Carriers specialize in certain product lines, and some are more suitable to certain industries or group sizes than others. Also, be sure to work with someone that can effectively educate your employees. The experience should be a positive one for all involved, and should not feel like a sales pitch. Finally, ask the provider about their processes for maintaining eligibility, new hires, and open enrollments. If they don't have defined processes, administrative challenges are likely.